

CONFIDENTIAL

Ref. A04577

PRIME MINISTER

Merseyside

The three papers for your meeting at 11.15 am on Monday, 30th March, are:-

- Flap A — (i) The paper by the Central Policy Review Staff (CPRS) sent to you under cover of Mr. Ibbs's minute of 20th March to Mr. Lankester.
- Flap B — (ii) The minute of 18th March to you from the Secretary of State for the Environment.
- Flap C — (iii) The minute of 20th March to you from the Secretary of State for Industry.

2. In paragraph 29 of their report, the CPRS summarise their 18 proposals and suggestions for further work divided between (a) proposals for early decision, (b) suggestions for further appraisal with a view to specific decisions in a few months, (c) issues requiring further study. The Secretaries of State for Industry and for the Environment deal in their minutes with some of the immediate points - in particular action following the Tate and Lyle closure and progress towards setting up the Merseyside Urban Development Corporation (UDC) and the Liverpool Enterprise Zone (EZ).

3. The CPRS bring out in paragraph 4 of their minute the important point that Merseyside is already benefiting from the full panoply of the Government's measures for assistance. It is a Special Development Area; parts are assisted under the urban programme; Liverpool is an inner city partnership area; the Merseyside Development Corporation, which comes into existence on 31st March, is Government-funded; Liverpool has an Enterprise Zone; and Merseyside has a good share of Manpower Services Commission expenditure. The CPRS calculate that the total assistance is around £180 million in 1981-82.

4. The unpalatable inferences from this are:-

- (i) Little more can be done, at least in the short term, to attract private sector industry to move into the area or to refrain from closures. Substantial financial inducements are already on offer to them and if, like Bowaters, they refuse these there is nothing the Government can do about it.

CONFIDENTIAL

CONFIDENTIAL

(ii) Because of this the shorter-term possibilities are inevitably mainly presentational or directed to ensuring that existing arrangements are going ahead quickly and are being operated efficiently.

(iii) The truth is that mobile investment will probably be frightened off by Merseyside's bad industrial relations record and will prefer to pick up incentives on offer elsewhere.

5. This bleak picture reinforces the case for a longer-term study (C. of the CPRS's recommendations) of the possibilities for further measures including development of the port and the airport.

6. In looking at the options, both for short and longer-term action, you will wish to bear in mind throughout the point that any further special measures for Merseyside will provoke claims for similar treatment in other areas. As the Secretary of State for Industry points out, in paragraph 3 of his minute of 20th March, Liverpool's unemployment rate in February of 16.2 per cent compares with 14.2 per cent in Glasgow, 16.4 per cent in Teesside and 12.4 per cent in Birmingham (which is not eligible for any regional measures). I think that this is the main argument against appointing or nominating a Minister to have special responsibility for Merseyside.

7. Although there is very limited scope to do more in the short term to attract and retain private sector industry, there might be some scope for using public sector investment to help, provided that that could be done consistently with public expenditure objectives and without leading to irresistible claims for like treatment elsewhere. The Secretary of State for the Environment is, for example, asking the North West Water Authority to bring forward some capital expenditure in 1981-82 and is encouraging a programme of private sector house building in the area (points (iii) and (iv) on the first page of his minute of 18th March).

8. Unless the Chief Secretary and Mr. Tebbit have now reached agreement, mention may be made at the meeting of a proposal by KCA International Limited to place a £56 million contract for a semi-submersible drilling rig with Cammell Laird. In his letter of 25th March Mr. Pattison asked the Department of

Page D

CONFIDENTIAL

CONFIDENTIAL

Flap E — Industry for advice on the letter of 24th March to you from the Chairman of KCA. I understand that to secure this order British Shipbuilders might have to offer a guarantee of up to £12 million against possible losses by the company when the rig is in operation. If the Treasury and the Department of Industry cannot reach agreement on this it will have to be taken urgently by E(EA). It is, however, relevant to the present discussion, because without the order, and in view of the poor prospects for other civil and naval orders, the 3,500 jobs at Cammell Laird could be at risk as the present naval work runs out over the next year or so.

HANDLING

9. I suggest that you should open the meeting by proposing that the list of recommendations in paragraph 29 of the CPRS report should be used as an annotated agenda, with Ministers commenting on the proposals of direct interest to them and coming in at the end with any other particular proposals of their own. Before turning to the list you might, however, like to ask the Secretaries of State for Industry, the Environment and Employment and Mr. Ibbs whether they have any general comments to make.

10. In particular you will wish to reach a view on whether sufficient is being done already or whether the CPRS should be invited to pursue their proposal for a fuller study of Merseyside's problems which, as Mr. Ibbs pointed out in his minute of 20th March, could produce lessons of wider application in relation to unemployment, regional and urban problems. You could decide when this report was available in which forum it should be considered; it might be a candidate for E Committee.

CONCLUSIONS

11. In the light of the discussion you will wish to record conclusions on the detailed points listed in paragraph 29 of the CPRS's memorandum and on the proposal that some of these should be pursued in the context of a longer-term study by the CPRS, and on any other detailed points raised at the meeting.

REA

ROBERT ARMSTRONG

27th March, 1981

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